Government of
Saskatchewan

2007
Annual Report

Saskatchewan
Housing
Corporation

An Agency of
Social Services

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Letter of Transmittal

To His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

May It Please Your Honour:

I am pleased to submit the Annual Report of Saskatchewan Housing Corporation for the year ended December 31, 2007. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Saskatchewan Housing Corporation Act, 1973*.

Respectfully Submitted,

Donna Harpauer
Minister Responsible for
Saskatchewan Housing Corporation

Message from the Minister

It is my privilege to serve as the Minister responsible for Saskatchewan Housing Corporation.

A home, whether we own or rent, is truly about more than bricks and mortar. Our homes are both the centre of activity and the heart of our community life with family and friends.

Over the past year, Saskatchewan has experienced significant economic growth – growth that presents both opportunities and challenges for the citizens who live here. However, growth is not an end in itself. The end we truly desire is a safer, better and more secure future for Saskatchewan people and the communities in which they live.

Our government is aware of the importance Saskatchewan people place on having safe and sound homes. For nearly thirty-five years, Saskatchewan Housing Corporation (SHC) has provided a wide range of essential housing-related programs and services to meet the affordable housing needs of Saskatchewan people.

Every year SHC touches the lives of many households through its work in communities across Saskatchewan. This success is due in large measure to stakeholders, employees, housing authorities, cooperatives, non-profit organizations and countless volunteers, who are clearly the backbone in providing help for those who need it. I commend them for their innovation and excellence as they work towards meeting this province's diverse housing needs and providing increased flexibility in housing choices.

We will continue to work towards making a difference in the lives of Saskatchewan people, and to address those housing issues that matter the most – now and in the future.

Donna Harpauer

Donna Harpauer
Minister Responsible for
Saskatchewan Housing Corporation

Message from the President

This past year marked significant growth and change for the Saskatchewan Housing Corporation (SHC).

Addressing housing need in Saskatchewan is much different today than ever before. In both our smaller communities and urban centres, we saw more people with lower incomes experiencing difficulties finding quality and affordable housing, fewer rental housing units available, and construction costs continuing to soar.

Our three primary areas of business – rentals, homeownership and repair – are at the heart of who we are and what we do to help create and maintain our province's housing system. In 2007, SHC once again achieved solid results. As shown in this report, SHC continued to provide a steady stream of programs designed to meet the differing needs of Saskatchewan people. Our accomplishments over the past year demonstrate a progressive and responsive organization that continually serves Saskatchewan people in a responsible and transparent manner.

We are proud of our achievements, but we know that we haven't done it alone. People are our strongest resource and I thank our many stakeholders, community organizations, local housing authorities, cooperatives, non-profit agencies, staff and countless others for working closely with us to solve the housing challenges we currently face.

As we move into our 35th year of operation in 2008, SHC will remain open to innovations and opportunities that lie ahead, and continue to improve access, provide assistance, information and support for those who need it the most.

Darrell Jones
President
Saskatchewan Housing Corporation

Introduction

This Annual Report provides an overview of the activities and accomplishments of the Saskatchewan Housing Corporation (SHC) for the year ending December 31, 2007. For additional copies of this Annual Report, please call 1-800-667-7567 or visit the SHC website at: *http://www.cr.gov.sk.ca/housing* and click on the "Housing Publications" link at the bottom of the page. Information on housing programs and services is also available at this website.

Copies of SHC's Annual Reports dating back to 2005 are also available online.

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About Us

Mandate

While recognizing that the market place is the primary vehicle for the provision of housing, the Saskatchewan Housing Corporation (SHC) promotes independence and self-sufficiency by providing housing and housing services to people who could not otherwise afford adequate, safe, and secure shelter. SHC manages the financial contributions of the provincial, federal, and municipal levels of government for social and affordable housing and plays a lead role in the development of housing policies on behalf of the Government of Saskatchewan.

Programs and Services

SHC provides a continuum of housing programs and services, including social and affordable rental housing, home renovation, repair and energy retrofit programs, home adaptation programs, supports to independent living for seniors, and homeownership options.

There are approximately 31,000 social and affordable rental and homeowner housing units in more than 300 communities across Saskatchewan. The day-to-day management of these rental housing units and the co-ordination of services to tenants are provided through a network of local housing authorities, non-profit organizations, housing co-operatives, private landlords, and SHC. The majority of the portfolio is locally managed, with SHC directly managing only about 3% of the portfolio. Housing authorities manage nearly 60% of the portfolio, with the remaining 37% owned and managed by non-profit and co-operative groups and the private sector.

Responsibilities of the Corporation include managing operating agreements with approximately 450 organizations; providing technical services; research, program and policy development, including analysis of economic and demographic trends; business planning and financial policy development; and delivery of housing programs and services. SHC is also responsible for the provincial housing strategy, *HomeFirst*, which integrates housing with broader social, economic, and health policies in order to better address the current and future housing needs of Saskatchewan people.

The demand for housing is growing substantially across the province, escalating new home prices, resale home prices, and rental rates. The Saskatchewan housing market has come under pressure from a number of variables: vibrant labour markets; an improved migratory performance; and increased consumer confidence levels, which have increased demand for homeownership. As a result, market factors are continuing to reduce the accessibility of the private housing sector for those with low or moderate-incomes.

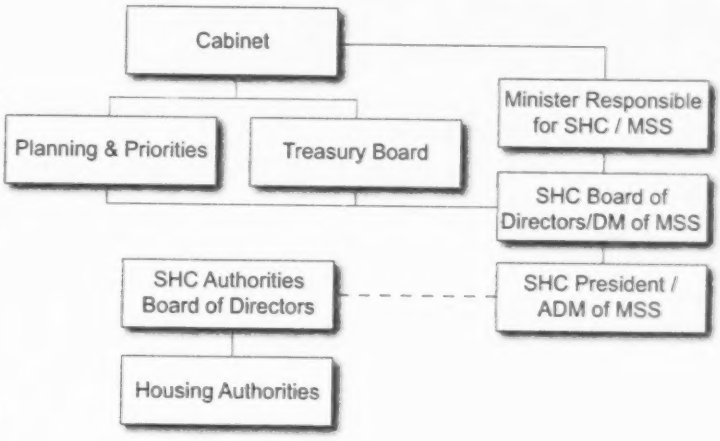
SHC is nearing the end of the first five-year action plan of *HomeFirst*. The year 2008 will be spent reviewing the provincial housing strategy and developing a new action plan for 2009 to 2013.

Organizational Structure

SHC is a Treasury Board Crown Corporation accountable to Cabinet through the Minister of Social Services. Legislative authority is provided by *The Saskatchewan Housing Corporation Act, 1973.*

Management services are provided to SHC by the Ministry of Social Services (MSS), including financial management; housing development; housing operations; technical services; northern housing; and housing policy and program services. The Corporation pays an annual fee to the Ministry for these management services.

SHC's Accountability Structure - Legal and Financial



About Us

The Minister establishes local housing authorities and appoints the volunteer board members who oversee operations and day to day management of SHC owned properties.

Housing Partners

Community-based housing authorities, led by volunteer boards of directors, manage the majority of social and affordable housing projects on behalf of SHC in addition to delivering some housing programs (e.g. repair programs).

Northern Saskatchewan is served by a network of local and regional housing authorities and one non-profit housing corporation. In southern Saskatchewan, Regional Housing Operations (RHO) provides general operating support and services to housing authorities and non-profit groups responsible for delivering housing programs and operation of housing units within southern Saskatchewan. Services provided by RHO include property management, tenant management, financial management, and tenant services and programs depending upon the needs of the housing group. The RHO Mechanical Systems Specialists focus on heating, ventilation, and conditioning units. The RHO Building Remediation Team provides a range of building remediation services to housing authorities and non-profit groups.

Other partners include municipalities, non-profit organizations, housing co-operatives and private landlords who own and manage housing for low to moderate-income tenants. SHC also works with Social Services and other government Ministries and agencies to integrate housing within government services.

Volunteers Essential

Saskatchewan has a network of more than 270 housing authorities served by more than 1,500 volunteer members across the province. Dedicated volunteers are integral to the ongoing success of SHC's activities. Community-based management enables local people to respond to local situations thereby bringing enhanced knowledge and responsiveness to the housing system.

Saskatchewan Housing Regions and Northern Operations

2007 Summary

HomeFirst Vision

All Saskatchewan citizens have homes that promote health, independence, security, and dignity and that enhance the social and economic well being of communities.

Under *HomeFirst*, SHC is working with its many partners in the private, public, and non-profit sectors toward the following goals. A summary of the key 2007 achievements is provided under each:

Goal 1: Equitable Access to Housing

- Housing supplements continue to help families with children and persons with disabilities obtain accessible, quality and affordable housing in the current tight rental housing market as well as expand the supply of affordable units in communities with a housing need.
- More than 480 additional affordable units, available to low and moderate-income households, were committed for development through the year.
- SHC continues to build the capacity of the northern housing authorities.

Goal 2: Self-sufficiency in Housing

- The *HomeFirst Homeownership Program* was enhanced to reflect changing market circumstances in Saskatchewan communities, making homeownership possible for more low to moderate-income households.
- Homeownership education continues to support clients in meeting their housing needs.
- Based on the success of the *Thom Collegiate Carpentry Apprenticeship Program* (*T-CAP*), two similar projects providing high school students with experience in the construction industry were initiated in northern Saskatchewan.

Goal 3: Efficiency in Housing Markets

- Approximately 900 commitments to fund repairs and renovations were made through the year.
- SHC's *ECOplan* exceeded its original target and has been renewed in order to continue to improve energy efficiency in government-assisted housing.
- Energy efficient upgrades completed through the *Saskatchewan Home Energy Improvement Program (SHEIP)* have resulted in a reduction of natural gas consumption by 26%, and CO_2 emissions by 1.6 tonnes per household per year, on average (based on the natural gas consumption of an average Saskatchewan household).
- Inspections indicate that landlords are improving rental units in Saskatchewan to meet the health and safety criteria of the *Saskatchewan Rental Housing Supplement* (*SRHS*).
- Through the *Saskatchewan Housing Research Program (SHRP)*, SHC provided financial assistance to the project "Improving Life Quality for Vulnerable Households in Regina's North Core Neighbourhood".
- SHC continued to improve management practices in government-assisted housing to ensure effective and efficient operation.

Summary of Financial Results

Reported figures reflect results for the Corporation's fiscal year ended December 31, 2007.

a) Expenditures

SHC's expenditures for 2007 were $202.0 million. This represents a variance of $20.9 million below budget. Lower than expected operating costs and expenditures for grants and subsidies accounted for the variance.

b) Revenues

SHC revenues for the year were $202.0 million and were $20.9 million below budget. During the year, less than the anticipated amount of funding available under certain federal and provincial housing programs was recognized. These savings were deferred for use in future years.

2007 Activities

This section provides in-depth information on SHC's activities for the 2007 fiscal year with respect to the Corporation's goals and objectives.

Goal 1 – Equitable Access to Housing – improving the quality of life related to housing for low to moderate-income households, particularly addressing inequities for the most vulnerable households.

Objective 1.1: Improve housing affordability for families as well as people with disabilities and support the housing needs of the lowest income households through housing supplement programs

The *Saskatchewan Rental Housing Supplement* (*SRHS*) for families with children and for persons with disabilities helps low-income tenant families and people with physical or cognitive disabilities obtain accessible, quality, and affordable housing. The *SRHS* is conditional upon properties meeting health and safety standards. A rate increase in 2007 enabled people with disabilities to qualify for up to $158 a month and families up to $172 a month. The maximum for a combined family and disability benefit is $258 a month. While a component of *HomeFirst*, the funding and program administration for *SRHS* is delivered through Social Services.

Low and moderate-income households are able to afford good quality housing through SHC's *Rent Supplement Program*. This program supplements tenant rents based on their income through contractual arrangements between SHC and rental property owners. This helps expand the supply of affordable units in communities with a housing need.

In February 2007, an additional $60 million was provided to SHC by the province to expand *HomeFirst*. This was targeted for affordable housing in northern communities and the inner cities of Regina, Saskatoon, Prince Albert and North Battleford. Ten million dollars was allocated for ongoing rent supplements over 10 years, which is expected to help 300 very low-income families, youth and young adults at risk. The provincial funding will be delivered through the existing *Rent Supplement Program*.

Objective 1.2: Increase the stock of affordable homeowner and rental units

In 2004, the province committed to developing 2,000 affordable homeownership and rental housing units in Saskatchewan. The majority of those units were delivered through the *Centenary Affordable Housing Program* (*CAHP*), a cost-shared initiative with the Government of Canada, the Province, and municipalities that provides one-time capital assistance to increase the supply of off-reserve affordable housing in Saskatchewan for low to moderate-income households. This initiative allowed non-profit organizations and the private sector to develop modest, affordable rental and homeownership housing options. Housing is made available at or below average market rent or prices for comparable housing in a community or area. The program is flexible and targeted to meet the priorities, strategies, and realities of housing in Saskatchewan.

SHC has new funding from two sources to support continued development of affordable rental units. In November 2006, the Province received $50.6 million from the Federal government, where $26.4 million is for the *Off-Reserve Aboriginal Housing Trust* and $24.2 million is for the *Affordable Housing Trust*. In part, this funding will increase the supply of affordable housing by up to 300 homes through new construction or acquisition and major repair of existing housing.

In February 2007, SHC received a $60 million expansion to *HomeFirst*. This includes $49.5 million allocated to develop approximately 500 affordable housing units for low to moderate-income families with children and youth at risk in northern communities and the inner cities of Regina, Saskatoon, Prince Albert and North Battleford.

Delivery will be provided through the *HomeFirst Rental Program* which focuses on lower income households, particularly families with dependants, young people at risk, First Nation and Métis students attending educational institutions, young people with multiple needs, persons with disabilities, and seniors, who have unmet housing needs. The program targets inner city areas and communities in northern Saskatchewan.

In 2007, SHC committed funding for more than 480 additional affordable units which will be made available to low to moderate-income households.

2007 Activities

These units were developed through *CAHP*, the *Neighbourhood Home Ownership Program (NHOP)*, the *Shelter Enhancement Program for New Projects (SEP – New)*, the $49.5 million provincial funding, and the Housing Trusts.

New in 2007 is the *Secondary Suite Program* which provides forgivable loans to individuals, non-profits, Aboriginal organizations and the private sector to develop affordable rental suites in existing and new housing. This program will increase the supply of affordable housing by encouraging people to turn space in their homes into rental suites. Eligible property owners will be provided a forgivable grant of 50 per cent of construction or renovation costs to a maximum of $24,000 in southern Saskatchewan and $28,000 in northern areas. Up to 100 units are expected to be delivered over three years. SHC will also commit $5 million to develop secondary suites within its existing portfolio throughout the province.

1.3: Improve community capacity to provide affordable housing

There are more than 270 housing authorities in Saskatchewan, with portfolios ranging in size from less than 10 units up to 3,000 units. Community-based management of housing authorities ensures effective and efficient operations, while improving community capacity to provide affordable housing.

Housing authorities with local boards and staff are an integral part of the province's community services. The Canwood Housing Authority exemplifies this dedication and received a *Spirit Award* in 2007 for its efforts in making a difference in the lives of the people in the local community. The Award honours community-based organizations that deliver programs and services to help address some of the province's most pressing social issues on behalf of Social Services.

SHC continued to focus on building the capacity of the northern Housing Authority boards in 2007 by delivering board learning workshops. The board members increased their knowledge of the Housing Authority Management Agreement, governance responsibility, the roles and responsibilities of the board and the manager, oversight monitoring and approval requirements, and accountability.

SHC delivers the *Social Housing Management Learning Program (SHMLP)* in partnership with the Saskatchewan Institute of Applied Science and Technology (SIAST), Northlands Regional College, the Real Estate Institute of Canada (REIC) and northern Housing Authorities. This applied certificate program provides housing authority employees with the basic knowledge and skills needed to manage a portfolio of social housing units in their communities. Launched in 1999, the program strengthens the network of northern housing authorities by building the capacity of their employees to manage and administer social housing programs, and by helping them to learn standard business practice according to SHC policies.

To assist local contractors to successfully bid and complete contract work, SHC and the Northeast Regional Housing Authority (NERHA) jointly delivered five contractor workshops in the Sandy Bay area. The workshops explained the bidding process for contract work issued by NERHA in the community. The workshops were successful in stimulating interest in contract work and motivating those most interested in becoming contractors.

1.4: Improve access to government-assisted housing for high-need populations

Housing is a necessary part of society's social safety net to ensure the independence of its most vulnerable, such as frail seniors, people with disabilities, youth at risk, lone-parent families, people fleeing abuse, and homeless or persons at risk of homelessness. The safety and security of having a place to live enables individuals to benefit from job training, counseling, or other supportive services needed to help them become self-sufficient.

In 2007, SHC committed funding to several projects that addressed the housing needs of vulnerable population groups. Regina's Red Ribbon Place, a joint venture between All Nations Hope AIDS Network and AIDS Program South Saskatchewan, was completed in August 2007. The project consists of a 12-unit apartment style building with attached office space and staff to provide support services including life and job skills training, health information and referral services to the residents. Funding for the office portion of the project came from the National Homelessness Initiative (NHI), which was recently replaced with the new Homelessness Partnering Strategy.

SHC also supported the development of My Home III and My Home IV, two affordable housing projects undertaken by the Saskatoon Downtown Youth

Centre, Inc. (EGADZ). The project will improve the life chances and quality of life of vulnerable individuals and households, giving at-risk young women the opportunity to live independently in safe quality housing while accessing support services linking them to school, training, employment and other community resources. The projects were also supported by the City of Saskatoon's Innovative Housing Incentive Program and the NHI. The ongoing operational funding for this project is provided by Social Services.

Approved for funding in 2007, Cedar House will be an independent-living facility with supports for at-risk male youth aged 16 to 21 in Saskatoon. Supports include live-in mentors and staff who will assist the vulnerable youth as they transition into independence. The project was undertaken by the John Howard Society of Saskatoon and supported by the three levels of government and NHI.

The needs of SHC's clients are complex; some experience physical and cognitive disabilities, age-related issues, poverty, and abuse. These clients often require a variety of co-ordinated supports in addition to quality, affordable housing in order to lead healthier lives and be a part of their communities. SHC will continue to develop partnerships with other government agencies to ensure co-ordination of housing, health and social services to better support vulnerable population groups.

Funding from the Federal Housing Trusts will be used to develop or sustain affordable housing for those most in need. Housing development will be targeted to low to moderate-income seniors, families, singles, and other non-senior households, which include but are not limited to, youth in transition exiting the corrections system or the child welfare system, First Nations and Métis students from rural or remote areas attending school away from their home communities, youth with multiple needs, and persons with mental health or cognitive disabilities. Priority will be given to low-income households.

Goal 2 – Self-sufficiency in Housing - increasing housing self-reliance among low and moderate-income households by using housing initiatives as a tool to promote economic independence, social inclusion, and well-being.

Objective 2.1: Increase homeownership for low to moderate-income households

SHC helps low to moderate-income households achieve the dream of owning their own home. Benefits of homeownership include stability for families, socially healthy children, better neighbourhoods, and more civic participation. A neighbourhood with a more permanent population has a greater sense of community. A good quality home can mean a better financial future and independence. In 2007, funding was committed for approximately 190 modest, affordable homes that will create ownership opportunities for low to moderate-income households across Saskatchewan.

Expanded in 2007, the *HomeFirst Homeownership Program* provides forgivable equity loans and low interest second mortgages to families to help them buy a home. Based on recommendations from recent program reviews and knowledge gained from delivery experience, the program was enhanced to reflect changing market circumstances. The expanded *HomeFirst Homeownership Program* is expected to help up to 500 eligible families to purchase a home.

This program will continue to strengthen Saskatchewan communities, inner city neighbourhoods in specific communities, and housing market values, thereby supporting the development of private housing markets. Expenditures on housing create new economic activity, providing for new job creation in housing and related areas, and stimulating and supporting opportunities for continued economic growth.

To support clients in the *Homeownership Program*, SHC has developed the homeownership education package. Participants are provided with pertinent and practical information as a means of empowering them to make good decisions about homeownership, and for selecting and engaging financial, real estate, legal, home inspection, and other services. Also communicated is the need for personal responsibility and consumer awareness.

2007 Activities

In 2007 the homeowner education program was opened up to all residents of the province. In southern communities, the training is provided by the housing authorities and by correspondence to rural areas. In the North, SHC partnered with Northlands Regional College. SHC continues to work with Northlands Regional College to tailor this training to the needs of northern residents and to make it more accessible to people who are interested in becoming homeowners.

The *Rental Purchase Option* (*RPO*) is available in northern communities where there is a limited housing market and where eligible social housing clients wish to purchase the unit in which they have resided for at least six continuous years. The *Accelerated Homeowner and Repair Option* (*AHRO*) has provided eligible clients with a mortgage discount, as well as cost-matched unit repairs to ensure the unit is energy efficient and meets standards of health and safety.

Objective 2.2: Greater independence for seniors and persons with disabilities through housing support services

Housing support services create pathways to help people build better lives and to live independently in their communities. Support services range from homeowner education, which builds the capacity of individuals, to *Saskatchewan Assisted Living Services* (*SALS*) which helps seniors access community-based services to maintain their independence and quality of life. SHC currently offers *SALS* to tenants living in SHC's senior social housing. These community-based services are dependent on tenant participation and community capacity. *SALS* includes hotel type services (e.g. meals, housekeeping, laundry) and social and recreational activities. Services are optional and are on a fee-for-service basis aimed at cost recovery.

Saskatchewan Home Adaptations for Independence Program (*SHAIP*) and *Home Adaptations for Seniors Independence Program* (*HASI*) are home adaptation programs that offer financial assistance to low-income homeowners and tenants who require minor modifications to their home to maintain independent living. Approximately 10 homes were adapted through *SHAIP* and *HASI* in 2007.

Supporting independence for seniors is further exemplified by two new projects that started construction in 2007. Developed through the *HomeFirst Rental Development Program*, Juniper Manor in Saskatoon will provide affordable rental accommodation for low-income seniors, seniors with disabilities and new immigrants requiring strong cultural and emotional supports. The Hanley seniors housing project is a renovation of two buildings into 12 rental units designed for independent living for low and moderate-income seniors. Seniors will be able to remain in their community, stay close to family and friends, and enjoy a better quality of life.

Supporting greater independence for persons with disabilities is Saskatoon's Hunter Crossing, a 40-unit townhouse condominium project which includes 12 fully accessible attached bungalows. The units are beginning to be occupied by clients who have received funding through the *HomeFirst Homeownership Program*. To qualify for assistance to become an owner of one of these 12 units, at least one member of the household must require a wheelchair.

As part of *HomeFirst*, SHC has been looking into options to target publicly-funded housing to populations with higher needs where practical. This will involve reprioritizing certain client groups within the SHC policy framework and program plan. It will also involve integration of publicly-funded housing with services in other areas, such as education, employment, health, income assistance and immigration. The resulting policy should clearly identify SHC's role and the roles of service delivery partners in housing those with a need for support services.

Objective 2.3: Increase income adequacy of low-income households by supporting employment

In 2007, $500,000 was committed to support training aimed at increasing participation among inner city and northern youth and young adults in the residential construction and renovation industry. The training funds are managed by SHC and will be linked directly to government assisted housing development projects and related construction industries. Young adults (ages 15 to 30) who have successfully completed a pre-trades training program will be matched with job coaches and employment will be facilitated within the housing construction and repair industry.

The training component will build upon and supplement current initiatives and partnerships, and use existing training mechanisms such as Saskatchewan Indian Institute of Technologies' Construction Careers Program (CCP). The CCP use of job coaches helps to ensure a successful employment experience for both the employee and the employer.

An innovative, collaborative initiative that gives high school students experience in the construction industry while helping to meet affordable housing needs in Regina was announced in September 2006 by SHC, the Regina Public Schools, the Saskatchewan Apprenticeship Commission, the Saskatchewan Construction Safety Association and other industry associations and suppliers. The *Thom Collegiate Carpentry Apprenticeship Program* (*T-CAP*) engages Thom Collegiate's Grade 11 and 12 students in all aspects of the housing construction industry while promoting team building and leadership skills. Under the guidance of a teacher-mentor, students built two homes from start to finish during the 2006-07 school year. The two homes will be sold under the *HomeFirst Homeownership Program*. In the 2007-08 school year, SHC again partnered with Thom Collegiate to develop two more housing units.

Based upon the success of *T-CAP*, the Northern Housing Operations branch of SHC engaged in two similar projects. Working in collaboration with the Northern Lights School Division, the La Loche Community School, the Northern Village of La Loche, Methy Construction Ltd., and the La Loche Non-Profit Housing Corporation, the La Loche Community School house-building project encouraged students to consider a future in the building trades. The students built a house to standards and obtained credits as part of their school curriculum. The finished house will be added to the social housing portfolio, providing much needed quality, affordable housing for low-income families in the community. Students in the Sandy Bay project constructed 10 sheds that will be placed behind SHC's social housing rental units.

Goal 3 – Efficiency in Housing Markets – helping the public, private, and non-profit housing sectors respond to housing needs of all Saskatchewan households.

Objective 3.1: Protect and improve affordable housing units through repair and renovation

In 2007, SHC made approximately 900 commitments to fund repairs and renovations through various programs. Repair programming is a key component of the provincial housing strategy to improve the quality of housing. Forgivable loans are provided to low-income homeowners, and to rental-property owners or non-profit housing groups that house low-income tenants, to upgrade their properties to minimum health and safety standards. Repairs must correct a major deficiency in at least one of the following housing systems: structural, heating, plumbing, electrical, or fire safety. Eligible repairs are those that bring the dwelling up to a minimum standard of health and safety and extend the useful life of the home by at least 15 years.

Repair funding can also be used to make homes accessible for seniors or for people with disabilities to help them live independently. Assistance is also available to low-income homeowners when emergency repairs are needed for continued safe occupancy of their homes.

A component of the *Off-reserve Aboriginal Housing Trust* and the *Affordable Housing Trust* funding is going towards needed major capital improvements to housing units managed by non-profit and cooperative groups. The upgrades are expected to improve approximately 700 existing housing units, thereby improving housing conditions and sustaining independent living.

Objective 3.2: Increase energy efficiency in government-assisted and private housing

Energy consumption has become very important in recent years, given the increase in energy costs and its linkage to housing affordability. SHC recognizes the benefits of sound environmental management to promote affordable and environmentally sustainable housing for Saskatchewan residents. SHC is committed to a greener environment and continually makes efforts to reduce energy consumption and greenhouse gas emissions.

2007 Activities

2007 marks the final year of SHC's *Energy Conservation Opportunities Plan (ECOplan)*, a five-year initiative to reduce energy consumption by 10% within SHC-owned social and affordable housing for seniors. The portfolio consists of more than 11,000 multi-residential, single and semi-detached housing units. The original target has been met, resulting in over $1.2 million in annual savings in energy costs and a reduction of 24,000 tonnes CO_2. In all, over 400 separate tasks have been implemented under *ECOplan*. The average simple payback period for these measures is 4.6 years. SHC plans to continue to invest in *ECOplan* to further reduce energy use within its portfolio.

In addition to *ECOplan*, in 2006, SHC adopted a policy to use energy efficient gas furnaces that are EnergyStar rated for all new construction and when replacing existing furnaces. In 2007, SHC expanded this policy to include the purchase of EnergyStar appliances including refrigerators, cooking ranges and clothes washers. SHC will continue to review energy efficiency technologies and implement new standards as these technologies become more practical and affordable.

The *Saskatchewan Home Energy Improvement Program (SHEIP)* helps low and moderate-income homeowners and rental property owners housing low-income tenants undertake energy efficiency retrofits that will reduce greenhouse gas emissions and reduce heating costs, thereby making housing more affordable. Retrofits that qualify for funding include heating and ventilation system upgrades, insulation, and draft proofing.

The delivery of *SHEIP* has been linked with the new federal energy initiative, the ecoENERGY Efficiency Program, and with SaskEnergy's Saskatchewan's EnerGuide for Houses Grant Program. As of December 31, 2007 approximately 4,700 households have received commitments through *SHEIP* since inception. After one year, each *SHEIP* client on average reduced natural gas consumption by 26% and reduced CO_2 emissions by 1.6 tonnes per household, due to completed energy efficient upgrades (based on the natural gas consumption of an average Saskatchewan household).

Objective 3.3: Increase partnerships with the private sector, other governments, Aboriginal organizations, and communities to expand the stock of affordable housing

Individuals, communities, the housing industry, all levels of government, and indeed all stakeholders have a shared responsibility and accountability for good housing outcomes. SHC engages with many stakeholders and housing partners to work collaboratively to address housing issues. This includes collaborative relationships with other levels of government and other government ministries and agencies within Saskatchewan. For example, an innovative partnership with the Ministry of Health, the Northern Village of La Loche, Methy Construction and the La Loche Municipal Non-Profit Housing Corporation resulted in the conversion of existing units into new affordable housing and the development of new units for local health staff to facilitate their retention in the community.

The Homelessness Partnering Strategy (HPS) is a federal initiative aimed at combating homelessness in communities across Canada, replacing the National Homelessness Initiative (NHI). The federal government works directly with municipalities and community groups to deliver funding to address homelessness by providing one-time funding for projects. Each participating community must provide matching funding. Community committees develop the community plans and make funding recommendations for the HPS. In Saskatchewan, the cities of Regina, Saskatoon and Prince Albert established Homelessness Committees and SHC, together with operational staff from the Social Services Regions, has representation on these committees.

SHC has participated in a number of projects that combat homelessness in Saskatchewan urban centres. Together with Canada Mortgage and Housing Corporation (CMHC) and the City of Regina, SHC provided support for a new building for the Soul's Harbour Rescue Mission. When completed, the project will provide safe and supportive housing for homeless men and women with children in 30 apartment-style units.

In 2007 a number of housing projects resulted from collaboration between provincial, federal and municipal levels of government and community-based organizations. The River Bank project, targeted to low-income larger families, opened in

Prince Albert at the beginning of 2007. The project consists of ten rental units located in West Flats, an inner-city area of Prince Albert close to primary and secondary schools and other community amenities. River Bank Development Corporation began construction on six more units for low-income families.

SHC is supporting the development of two rental housing projects in the inner city of Saskatoon. The One Arrow First Nation is renovating an existing apartment building in Pleasant Hill. The refurbished units will be available for low to moderate-income households by the winter of 2007-2008. Cress Housing Corporation, a First Nations housing non-profit organization that serves as an equivalent of a housing authority for the Saskatoon Tribal Council, will manage the project after it is completed.

To allocate the *Off-Reserve Aboriginal Housing Trust* funds, SHC has been working toward creating service delivery partnerships with First Nations and Métis organizations. These partnerships will provide an opportunity for First Nations and Métis communities to build their social capital and to increase their decision making capacity. The service delivery structure for both Trusts consists of three bodies, the Tri-Partite Housing Planning and Advisory Committee and the two joint Project Selection Committees. The Committees commenced work in January 2008.

3.4: Effective housing regulations that support health, safety, and affordability in housing markets

The *Saskatchewan Rental Housing Supplement (SRHS)* provides support for lower income families with children and people with disabilities to help with their rental costs. Receipt of the supplement is conditional on the housing meeting minimum quality standards. Social Services partnered with the City of Saskatoon, City of Regina and a local contractor in Prince Albert to complete health and safety inspections on behalf of the *SRHS*. SHC is responsible for entering into agreements with the providers of housing inspection services.

Approximately 200 cases are randomly selected for inspection each month. On average, 60% of properties that are inspected pass, 35% fail the inspection, and another 5% of renters move as a result of the inspection. Of the homes that fail the initial inspection, upon re-inspection 90% meet the health and safety criteria of the *SRHS*. This indicates that landlords are making property improvements. An evaluation of the *SRHS* has been completed and Social Services is currently reviewing the findings.

Through its *Saskatchewan Housing Research Program (SHRP)*, SHC supports researchers who investigate housing issues in Saskatchewan. The program is aimed at encouraging housing research partnerships and enhancing housing research capacity in Saskatchewan. In 2007, the SHRP awarded a research grant for a project entitled "Improving Life Quality for Vulnerable Households in Regina's North Core Neighbourhood". This ongoing project, a partnership between university researchers and a community-based organization, is expected to be completed in early 2008. The third call for proposals to obtain research funding under the SHRP is set for early 2008.

3.5: Improve the co-ordination of housing policies with economic development, inner city and northern revitalization strategies

The most serious housing needs in the province are concentrated in specific geographic locations including the North and inner city neighbourhoods. Inner city areas of major urban centres have higher concentrations of rental housing, dwellings in need of major repair, and older housing stock. A significant increase in household formation in some northern communities has led to an increase in the number of people urgently in need of affordable housing.

Under the expansion of *HomeFirst* in 2007, $49.5 million was targeted for the development of affordable housing in northern communities and the inner cities of Regina, Saskatoon, Prince Albert and North Battleford. Approximately 500 affordable rental and homeownership units for low to moderate-income families and youth and young adults at risk are expected to be delivered through this initiative.

The housing initiatives under *HomeFirst* create employment opportunities, which in turn contribute to strengthening the economy, and making communities better places to live. Numerous housing projects have been developed in inner city neighbourhoods and northern communities. SHC provided support to an affordable housing project in Beauval undertaken by a local partnership between Lac La Plonge Holdings Ltd. and K. & L. Construction Ltd. The housing project that consists of eight one-bedroom rental units was open to new residents in August 2007. The addition of good

quality, affordable housing stock for singles will help to meet the growing demand that is resulting from increased economic activity in the area.

The northern Village of Pinehouse used SHC funding assistance for constructing four new housing units for low to moderate-income seniors. The development incorporates a number of "green" features such as the use of renewable energy for heating and increased insulation. The Village of Pinehouse also used the project as an opportunity to provide training and skill development for local youth.

SHC co-ordinates its housing programs and services with economic development planning and inner city and northern strategies. SHC is part of various committees, including those involved with homelessness, northern issues, and inner city issues. SHC has worked towards developing policies and delivery vehicles that not only respond to community needs, but also maximize their capacity-building features, creating positive economic impacts and stimulating and supporting local housing markets.

The *New North Housing Committee* provides a forum for sharing information related to northern housing interests. It also strives to create a greater awareness and understanding among northerners about housing strategies, policies, new initiatives and other issues. Representatives from SHC and *New North - SANC Services Inc. (Saskatchewan Association of Northern Communities)* provide a balanced approach to housing programs and services in northern Saskatchewan.

In 2007, the *Remote Homeownership Program (RHP)*, which has served remote communities in northern Saskatchewan since 1995, was extended for at least three more years. The program helps stabilize northern families through increased homeownership, building community capacity, increasing housing stock, and developing northern housing markets.

Ensuring Sustainability

SHC owns approximately 18,000 social and affordable housing units across Saskatchewan. This housing portfolio has been well maintained. However, its viability is at risk due to increasing operating, utility and maintenance costs as the housing stock ages. In addition, revenues – largely based on tenants' ability to pay rent – are unable to keep pace with these expenditure increases.

Most of SHC's portfolio was constructed 20 - 30 years ago. Over the years, shifting demographics (e.g. aging population, rural to urban migration, many single parent families) have changed the ways in which Saskatchewan residents need housing. As a result, SHC has some units that are vacant, uneconomical to operate, or functionally obsolete. Some units are serving tenants who could be accommodated by the private sector, or the units can be better utilized to meet the growing demand for affordable homeownership.

In response, SHC is continuing to improve management practices in government-assisted housing to ensure effective and efficient operation.

In this effort to reduce its expenses, reuse its assets, and reinvest its resources, SHC began working with communities and housing authorities in October 2005 to identify alternate uses for underutilized housing units. Freeing up these resources allows reallocation of ongoing operating subsidies to areas of existing and emerging housing needs.

SHC will make selected underutilized units available at fair value for alternative uses in communities across Saskatchewan. As of December 2007, there have been approximately 450 units put to better use. Numerous opportunities are being created for affordable homeownership, investment in local private sector rental markets, or other community uses.

Access to SHC's subsidized rental programs is being maintained by ensuring sufficient stock is retained to meet current and future community needs. As housing demand changes across the province, SHC will continue to ensure long-term sustainability of the assisted rental portfolio.

SHC actively seeks cost-effective, innovative approaches to create quality, affordable housing. A new housing project was created in 2007 by relocating and converting surplus units to a community with a need for quality, affordable housing. The two renovated fourplexes now provide housing for singles and childless couples in Cumberland House. Another innovative initiative was the construction of a new modular housing project in Sandy Bay. The five new duplexes were moved to Sandy Bay in 2007, creating 10 three-bedroom units to meet the local need for family housing.

Management's Discussion and Analysis

Promoting Independence and Self-Sufficienty

Saskatchewan Housing Corporation (SHC) promotes independence and self-sufficiency by providing housing and housing services to Saskatchewan households that could not otherwise afford adequate, safe, and secure shelter. At the same time, SHC must effectively manage the financial resources it has been entrusted with. Increasing pressures are being felt on these resources, including:

- declining federal funding under the *Social Housing Agreement (SHA)*
- an aging housing portfolio
- growing demand for housing
- escalating housing prices
- reduction in accessibility of housing for SHC clients

To address these issues and mitigate their potential for negative influence on the Corporation's financial outlook, SHC develops long-term financial forecasts that test the sensitivity of the organization to changing economic conditions and program requirements. Utilization of these forecasts guides management in resource allocation strategies.

These strategies are aimed at maximizing the effective use of all sources of funding to SHC, including its federal funding allocation. This allocation is declining as prescribed by a schedule set out at the signing of the *Social Housing Agreement* (*SHA*) in 1997.

Shifting needs for housing result in areas where new resources are required to satisfy the increased demand. At the same time, areas where demand is in decline lead to decreased rents due to vacancies.

To ensure that the investment in housing assets is effectively targeted, underutilized units are being sold with proceeds being directed to other housing initiatives. In 2007, unit sales numbered in excess of 200 representing net gains (after selling costs and net of CMHC and municipal shares) of $5.82 million.

The majority of SHC's rental portfolio was obtained in the late 1970's and rejuvenation of these units will create demands for SHC resources in coming years. To ensure continued provision of safe, secure and adequate rental housing to tenants into the future, a major focus of SHC management is the development of a long term capital asset maintenance plan that dedicates financial resources to the sustainability of requisite housing.

SHC's ongoing success relies heavily on more than 1,500 dedicated volunteers who manage the network of over 270 housing authorities throughout the province. These individuals continue to be diligent in managing their respective portfolios within tight budget frameworks and provide community-based knowledge and responsiveness to their local requirements.

2007 – Major Developments

During the year, SHC undertook a major initiative resulting in the redesign of the territory structure with four provincial regions being the outcome. The objective was improvements in the program, administrative, financial and accounting services provided by the territory structure to the housing authority network. The new structure is designed to provide efficiencies including a more clear definition of responsibilities for regional and housing authority managements and increased centralization of financial administration to SHC's Prince Albert location.

During 2007, an upgrade to SHC's management information system was completed with the intent to improve client services, streamline processes and improve management reporting capabilities. This system is used for both SHC corporate management purposes and for management of the network of housing authorities and regions responsible for delivering service to tenants in SHC's rental housing portfolio.

Management's Discussion and Analysis

2007 – Results of Operations

Expenditures

Saskatchewan Housing Corporation expenditures for 2007 were $202.0 million, an increase of $27.42 million or 15.7% over 2006 ($174.58 million). Cost of operating the rental housing portfolio (excluding amortization) rose to $108.18 million, an increase of $9.67 million (9.8%) over 2006 ($98.52 million). Major elements of operating cost for 2007 included:

- Maintenance and rejuvenation $41.16 million (2006 - $35.57 million),
- Administration $15.98 million (2006 - $14.0 million),
- Utilities $18.70 million (2006 – $18.49 million), and
- Grants in lieu of property taxes $16.89 million (2006 - $16.92 million).

Grants and subsidies expenditures increased by $13.46 million to $55.79 million (2006 – $42.33 million). Major changes for 2007 included:

- Grants under the affordable housing and renovation program agreements increased by $7.05 million to $24.72 million (2006 - $17.67 million),
- Grants for the Saskatchewan Home Energy Improvement Program increased by $6.23 million to $8.28 million (2006 - $2.05 million), and
- Grants provided in the first year of Neighbourhood Revitalization Initiative and Housing Trusts programs were $823 thousand and $358 thousand respectively.

The growing demand for housing led to an accelerated pace of developed land sales and associated increase in cost of land sales of $2.78 million to $7.76 million (2006 - $4.98 million).

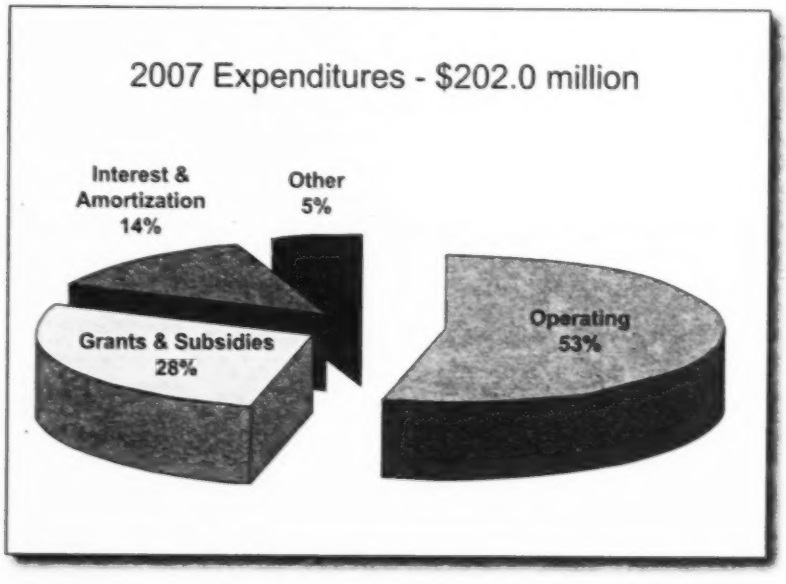
Revenues

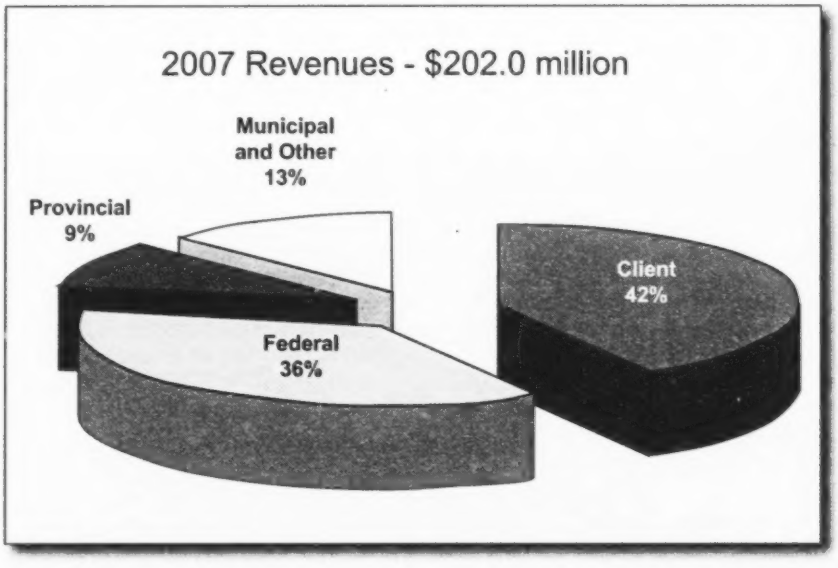
Overall revenues for SHC were $202.0 million for 2007, an increase of $27.48 million over 2006 ($174.52 million).

Rents and other income from clients increased by $3.32 million in 2007 to $84.26 million (2006 - $80.94 million). This represents approximately 42% of SHC's total revenue.

Other revenue items of note include:

- Federal contributions of $73.55 million (2006 - $62.90 million) reflecting higher grant expenditures under the affordable housing program agreement,
- Provincial funding of $18.78 million (2006 - $15.69 million) which includes the increased expenditures under the Home Energy Improvement Program of $6.24 million to $8.29 million (2006 - $2.05 million),
- Land sales of $11.32 million (2006 - $6.21 million) with the increase being caused by an upswing in housing costs and increased demand, and
- Gains on disposals of properties of $5.82 million (2006 - $3.48 million).





2007 Financial Position

Under the *Social Housing Agreement,* SHC is able to defer to future years amounts received, but unexpended, in any given year. These Deferred Federal Contributions must be used for eligible program expenditures as specified in the agreement.

During 2007, SHC's expenditures under the *Social Housing Agreement* exceeded federal contributions received that year, causing a reduction in accumulated deferrals of $6.73 million to $159.53 million at December 31, 2007 ($166.26 million in 2006).

Operating activities generated in excess of $116 million in cash flow contributing to SHC's yearend holdings of cash and equivalents of $160.89 million. This includes an increase of deferred provincial contributions of $101.71 million relating primarily to the Neighbourhood Revitalization Initiative and Housing Trusts programs.

Required installments to debt retirement funds and earnings on fund balances increased $2.38 million in 2007 resulting in a fund of $48.04 million (2006 - $45.66 million) to offset long term debt of $95.15 million (2006 – $96.09 million).

Saskatchewan Housing Corporation

Summary of Key Financial Operating Results
2004 – 2006

(Thousands)	2004	2005	2006	2007	2008 Plan
Rent, operating income and other contributions	$ 86,536	$ 89,903	$ 95,927	$109,667	$101,254
Recognized provincial contributions	18,816	16,376	15,693	18,778	34,745
Recognized federal contributions	66,983	63,299	62,896	73,551	68,937
Total revenues	**$172,335**	**$169,578**	**$174,516**	**$201,996**	**$204,936**
Operating and other charges	99,931	102,645	103,889	118,777	116,011
Grants and subsidies	41,571	37,403	42,332	55,787	59,797
Amortization	22,387	20,631	17,670	16,359	17,138
Interest	8,517	9,060	10,688	11,073	11,990
Total expenses	**$172,406**	**$169,739**	**$174,579**	**$201,996**	**$204,936**
Excess of expenses over revenues	**$ 71**	**$ 161**	**$ 63**	**$ 0**	**$ 0**

2007 Financial Results

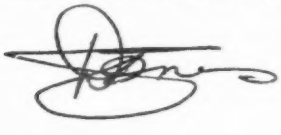
Management's Responsibility for the Consolidated Financial Statements of Saskatchewan Housing Corporation

These consolidated financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. The statements have been prepared in accordance with Canadian generally accepted accounting principles. Where necessary, the statements include estimated amounts that are based on informed judgements by management, giving appropriate consideration to reasonable limits of materiality. In the opinion of management, the statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Saskatchewan Housing Corporation. Financial information presented elsewhere in this annual report is consistent with the consolidated financial statements and the underlying information from which the financial statements were prepared.

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and financial records provide relevant and reliable information.

The Corporation's Board is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. In this regard, the Board meets periodically with management and with the external auditors to discuss matters relating to financial reporting, internal control and audits.

The consolidated financial statements have been approved by the Corporation's Board and by Treasury Board and have been examined by external auditors appointed by the Lieutenant Governor in Council. The responsibility of the external auditors, KPMG LLP, is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Corporation's financial position, results of operations and cash flows as shown in the consolidated financial statements. The Auditors' Report outlines the scope of their examination and expresses their opinion.



Darrell Jones
President
March 19, 2008

Don Allen
Chief Financial Officer

Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the consolidated statement of financial position of the Saskatchewan Housing Corporation as at December 31, 2007, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan
March 19, 2008

Saskatchewan Housing Corporation
Consolidated Statement of Financial Position

As at December 31

(*thousands*)

	2007	2006
Assets		
Investment in properties (note 5)	$ 217,796	$ 219,860
Land (note 6)	4,843	4,837
System development (note 7)	2,195	2,571
Loans receivable (note 8)	1,948	2,136
Accounts receivable	16,414	18,509
Debt retirement funds (note 9)	48,040	45,661
Cash and cash equivalents (note 10)	160,889	45,030
	$ 452,125	**$ 338,604**
Liabilities, Deferred Contributions and Net Assets		
Liabilities and Deferred Contributions:		
Long-term debt (note 11)	$ 95,151	$ 96,089
Life interest agreements	11,746	11,855
Land profits holding account (note 12)	8,315	4,634
Accounts payable and accrued liabilities	18,886	14,968
Deferred federal contributions (note 13)	159,531	166,255
Deferred provincial contributions (note 14)	134,785	20,730
Other deferred contributions related to capital assets (note 15)	3,429	3,528
	$ 431,843	**$ 318,059**
Net Assets:		
Internally restricted net assets (note 16)	$ 16,034	$ 18,702
Unrestricted net assets	4,248	1,843
	$ 20,282	**$ 20,545**
	$ 452,125	**$ 338,604**

Contingencies and contractual obligations (notes 22 and 23)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

D Fisher

Duncan Fisher, Member

Saskatchewan Housing Corporation
Consolidated Statement of Operations

For the year ended December 31

(*thousands*)

	2007 Planned	2007 Actual	2006 Actual
Revenues:			
Rents and other income	$ 81,172	$ 84,257	$ 80,938
Land sales	4,787	11,322	6,211
Interest income (note 18)	7,007	5,629	4,243
Gain on disposal of properties (note 5(c))	2,800	5,816	3,481
Federal contributions:			
Social Housing Agreement (note 13)	71,198	62,444	52,527
Affordable Housing Program Agreement (note 13)	16,853	4,437	3,785
Housing Renovation Program Agreement and other	7,184	6,670	6,584
Provincial contributions:			
Operating	20,825	9,068	12,200
Neighbourhood Revitalization Initiative (note 14)	---	823	---
Housing Trusts (note 14)	---	358	---
Home Energy Improvement Program (note 14)	6,835	8,285	2,047
Other (note 14)	266	244	1,446
Other contributions	3,973	2,643	1,054
	$222,900	**$201,996**	**$174,516**
Expenses:			
Operating (note 19)	$115,818	$108,184	$ 98,518
Grants and subsidies (note 20)	74,690	55,787	42,332
Amortization of investment in properties	17,036	16,359	17,670
Interest expense (note 21)	10,891	11,073	10,688
Cost of land sales	4,309	7,759	4,981
Other charges	156	2,834	390
	$222,900	**$201,996**	**$174,579**
Excess of expenses over revenues	**$ ---**	**$ ---**	**$ 63**

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation
Consolidated Statement of Changes in Net Assets

For the year ended December 31

(thousands)

	2007	2006
Internally Restricted Net Assets:		
Balance, beginning of year	$ 18,702	$ 18,587
Reclassification of Staff Housing replacement reserve (note 24)	(273)	---
Net transfers from (to) unrestricted net assets (note 16)	(2,395)	115
Balance, end of year	**$ 16,034**	**$ 18,702**
Unrestricted Net Assets:		
Balance, beginning of year	$ 1,843	$ 2,021
Change in accounting policy – Financial instruments (note 2(a))	10	---
Excess of expenses over revenues	---	(63)
Net transfers from (to) internally restricted net assets (note 16)	2,395	(115)
Balance, end of year	**$ 4,248**	**$ 1, 843**
Net assets, end of year	**$ 20,282**	**$ 20,545**

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation
Consolidated Statement of Cash Flows

For the year ended December 31

(*thousands*)

Cash Provided By (Used In):	2007	2006
Operating Activities:		
Excess of expenses over revenues	$ ---	$ (63)
Items not affecting cash:		
Amortization of investment in properties	16,359	17,670
Cost of land sales	7,759	4,981
Amortization of system development costs	376	377
Other charges	2,874	849
Income earned on debt retirement funds	(1,677)	(2,339)
Change in fair value of debt retirement funds	(107)	---
Gain on disposal of properties	(5,816)	(3,481)
Federal contributions related to capital assets recognized as revenue	(1,821)	(1,713)
Other provincial contributions recognized as revenue	(244)	(1,446)
Other contributions related to capital assets recognized as revenue	(315)	(272)
Decrease in non-cash working capital balances related to operations	6,756	1,311
(Decrease) increase in deferred federal contributions for expenses of future periods	(12,023)	7,173
Increase in deferred provincial contributions for expenses of future periods	101,710	13,279
Deferral of interest income earned on provincial contributions	2,884	---
	$ 116,715	$ 36,326
Investing Activities:		
Investment in properties	$ (14,823)	$ (11,309)
Investment in land	(7,892)	(6,387)
Reduction in loans receivable	153	70
Proceeds from disposal of properties	6,297	4,278
	$ (16,265)	$ (13,348)
Financing Activities:		
Repayment of long-term debt	$ (938)	$ (885)
Debt retirement fund installments	(585)	(585)
Life interest agreement proceeds net of refunds	(109)	(281)
Federal contributions allocated to capital assets	7,120	8,579
Provincial contributions designated for capital assets	9,705	---
Other contributions designated for capital assets	216	842
	$ 15,409	$ 7,670
Net increase in cash position	$ 115,859	$ 30,648
Cash and cash equivalents, beginning of year	$ 45,030	$ 14,382
Cash and cash equivalents, end of year	$ 160,889	$ 45,030

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation
Notes to Consolidated Financial Statements

December 31, 2007

Note 1: Status of the Corporation

The Saskatchewan Housing Corporation operates under the authority of *The Saskatchewan Housing Corporation Act*. Pursuant to section 36 of the Act, the Corporation receives contributions from the Government of Saskatchewan - General Revenue Fund.

The Corporation's general objectives are to undertake, facilitate, and promote measures which will contribute to the availability of adequate and affordable housing for all Saskatchewan residents, and in particular the provision of housing for senior citizens, families, the disabled and other groups or persons who require assistance. The Corporation also undertakes, facilitates and promotes measures to repair, rehabilitate and make improvements to housing.

The Corporation has been designated as a provincial Treasury Board Crown Corporation. Accordingly, its financial position, operating results and cash flows are included in the summary financial statements of the Government of Saskatchewan. As a Crown entity, the Corporation is not subject to federal income tax or provincial income and capital taxes.

Note 2: Changes in Accounting Policies

(thousands)

a) Financial Instruments

Effective January 1, 2007, the Corporation adopted the accounting recommendations for *Financial Instruments - Recognition and Measurement* (Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855), *Financial Instruments - Disclosure and Presentation* (CICA Handbook Section 3861) and *Hedges* (CICA Handbook Section 3865) in accordance with the transitional provisions of the sections. These sections establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities, non-financial derivatives and embedded derivatives, and describe when and how hedge accounting may be applied.

Upon adoption of the new standards, the Corporation was required to classify each of its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and their characteristics.

Cash and cash equivalents and debt retirement funds are classified as held-for-trading and are measured at fair value. Unrealized changes in the fair value of these financial instruments are included in interest income (note 18). Loans receivable and accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, the land profits holding account, life interest agreements and long-term debt are classified as other financial liabilities and are measured at amortized cost using the effective interest method.

Debt retirement funds were previously carried at cost, and were presented as a reduction of long-term debt in the consolidated statement of financial position based on requirements to contribute to the funds for specific debt issues. Upon adoption of the new standards, debt retirement funds are carried at fair value and are reported as a separate category of assets, and long-term debt is reported at the gross amount of the debt. The change in presentation resulted in an increase in assets and long-term debt of $45,661 as at December 31, 2006. The designation of debt retirement funds as held-for-trading resulted in an increase in debt retirement funds and unrestricted net assets of $10 as at January 1, 2007.

Note 2: Changes in Accounting Policies, continued

Derivatives may be embedded in other financial instruments (the "host instrument"). Under the new standards, embedded derivatives are treated as separate contracts when their economic characteristics and risks are not closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative and the combined instrument is not classified as held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes in the fair value recognized in operations. The Corporation selected January 1, 2003 as the transition date for embedded derivatives. As such, only contracts or other financial instruments entered into or modified after the transition date were examined for embedded derivatives. As at December 31, 2007 and December 31, 2006, the Corporation does not have any outstanding contracts or other financial instruments with embedded derivatives.

b) Accounting Changes

Effective January 1, 2007, the Corporation adopted the accounting recommendations for *Accounting Changes* (CICA Handbook Section 1506, as revised). The revised standard allows for voluntary changes in accounting policies only if they result in the financial statements providing reliable and more relevant information. New disclosures are required in respect of changes in accounting polices, changes in accounting estimates and correction of errors. Disclosure is also required regarding the possible impact that adoption of a new accounting standard issued but not yet applied will have on the financial statements in the period of first application. The adoption of Section 1506 has had no material impact on these consolidated financial statements.

Note 3: Significant Accounting Policies

The policies used in preparing the Corporation's consolidated financial statements are in accordance with Canadian generally accepted accounting principles.

Basis of consolidation

The consolidated financial statements include the accounts of Saskatchewan Housing Corporation and local or regional housing authorities throughout the Province, controlled by the Corporation.

Housing authorities are corporate bodies with no share capital, established by ministerial order pursuant to subsection 18 (1) of *The Saskatchewan Housing Corporation Act*. They provide community-based property management services and deliver programs on behalf of the Corporation. Housing authorities are controlled by the Corporation by virtue of the fact that the Minister-in-charge of the Corporation has the legislative authority to appoint the members of each housing authority. Also, subsection 18 (9) of *The Saskatchewan Housing Corporation Act* provides that housing authorities must comply with policies established by the Corporation.

Transactions and account balances between the Corporation and housing authorities have been eliminated in these consolidated financial statements.

Revenue recognition

The Corporation follows the deferral method of accounting for contributions.

Provincial operating contributions provided through the Ministry of Social Services are unrestricted in nature, subject only to the broad provisions of section 36 of *The Saskatchewan Housing Corporation Act*. Accordingly, these contributions are recognized as revenue in the year they are received.

Note 3: Significant Accounting Policies, continued

Provincial contributions that are restricted for a specified purpose (note 14) are deferred and are recognized as revenue when the related expenses are incurred. As directed by Treasury Board, interest income earned on investment of certain deferred provincial contributions is restricted for use on related program expenses; the restricted interest income is deferred and will be recognized as revenue when the expenses are incurred.

Federal contributions provided by Canada Mortgage and Housing Corporation (CMHC) are restricted in accordance with provisions of the Social Housing Agreement and the Affordable Housing Program Agreement (note 13) and the Housing Renovation Program Agreement (note 20). Accordingly, federal contributions are recognized as revenue in the year in which the related expenses are incurred. For housing programs within the scope of the Social Housing Agreement, federal contributions are recognized as revenue after the application of provincial operating contributions. Federal contributions used toward investments in properties and related capital assets are allocated to Deferred federal contributions - capital assets, and are recognized as revenue on the same basis as the amortization of the related assets.

Revenue from property operations is recognized at the time the accommodation has been provided and there is reasonable assurance regarding collectability of the amount due from the resident household. If there is significant uncertainty as to ultimate collection, revenue is recognized when cash is received.

Sales of land intended for single family residential development are recorded at the earlier of receipt of total sale proceeds or completion of the first floor joist stage of construction. Other land sales are recorded at the earlier of receipt of total sale proceeds or the date by which all material conditions required of the Corporation as specified in the sales agreement have been satisfied, and effective control of the property has passed to the purchaser.

The cost of land sales is allocated in proportion to anticipated sales revenue for each development project.

Grants and subsidies

Grants are recognized as an expense when an application for assistance has been approved and performance requirements have been met by the client.

Subsidy assistance is provided to non-profit housing sponsors and co-operatives in accordance with operating agreements that set forth either a specified amount of assistance to be provided each year or the basis on which eligibility for assistance will be determined. For the latter type of operating agreements, subsidy assistance is recognized as an expense based on actual or estimated costs incurred by each housing sponsor in the year.

Grants and subsidies expense includes charges recorded for delivery and administration of programs.

Investment in properties

Investment in properties is carried at cost (which includes land, acquisition or construction, administrative and carrying costs), less accumulated amortization. The recorded cost of certain properties is net of amounts provided by CMHC and municipalities in consideration for an ownership interest in the properties.

Amortization expense is recorded on a straight-line basis over periods of up to forty years. On an ongoing basis, management reviews estimates of the useful life of properties, in the context of their respective service potential. These estimates are used to determine the periods over which the investment is amortized. Adjustments to amortization periods are accounted for on a prospective basis.

For properties whose service potential is impaired, due to a decline in the local demand for rental accommodation or other circumstances, the carrying amount is written down in proportion to the number of housing units for which vacancies are assessed by management as other than temporary in nature.

Note 3: Significant Accounting Policies, continued

Properties held for sale are recorded at the lower of the carrying amount and fair value net of selling costs. Amortization is not recorded while a property is classified as held for sale. A property is classified as held for sale at the time the property is available for immediate sale, management has committed to a plan to sell the property and is actively marketing the property for sale at a price that is reasonable in relation to the fair value of the asset, and a sale is probable and expected to be completed within a one-year period.

Land

Land is recorded at the lower of fair value and cost (which includes acquisition, development, administrative and carrying costs). Fair value is based on recent sales transactions for similar land parcels.

Interest capitalization

Interest is capitalized on housing and residential land development projects at rates established at individual project commitment dates, based on approximate market rates at the time.

System development

Software license acquisitions and related applications development for which the total project cost is over $250,000 are capitalized. System development costs are amortized from the date the system is placed in use, over the estimated useful life of up to ten years.

Loans receivable

Loans receivable are recorded at amortized cost using the effective interest method, less an allowance for impairment. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies.

The allowance for impairment is determined on the basis of a review of individual clients' payment records. Generally, management considers an account to be impaired if there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Management also takes into consideration the estimated realizable value of mortgage security where applicable.

Debt retirement funds

Debt retirement funds consists of monies deposited into funds administered by the Saskatchewan Ministry of Finance, invested to provide funds for repayment of certain advances from the General Revenue Fund. Interest income on investments is recognized as revenue in the period it is earned. Realized gains and losses and unrealized changes in the fair value of the underlying investments are included in interest income.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances with banks, and investments in money market instruments with a maturity of four months or less from the date of acquisition, net of outstanding cheques.

Life interest agreements

The Corporation has received interest-free advances from the residents of certain seniors' housing projects in consideration for a life interest in a designated housing unit. Amounts received in respect of individual agreements are refundable to the residents or to their estate following termination of the life interest agreement, and are recorded as a liability of the Corporation.

Note 3: Significant Accounting Policies, continued

Guarantees and indemnities

Losses on guarantees and indemnities (note 22) are provided for on the basis of an assessment of mortgage accounts that are in arrears, taking into consideration the fair value of the associated property net of selling costs.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. In determining estimates for the carrying amount and amortization of investment in properties, management assesses the service potential of properties and economic conditions that prevail and are expected to prevail. Due to the inherent uncertainty involved in such assessments, actual results could differ from management's estimates. Estimates are also required in determining the fair value of long-term debt for disclosure purposes.

Note 4: Recently Issued Accounting Standards

a) Financial Instruments

The CICA has issued Section 3862 (*"Financial Instruments – Disclosures"*) and Section 3863 (*"Financial Instruments – Presentation"*), which replace Section 3861 and are effective for financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 expands disclosure requirements for various classes of financial assets and liabilities. The existing requirements for presentation of financial instruments have been carried forward unchanged in Section 3863. The Corporation is assessing the impact that the new standards may have on its consolidated financial statements.

b) Inventories

The CICA has issued Section 3031 (*"Inventories"*), which is effective for financial statements relating to fiscal years beginning on or after January 1, 2008. Section 3031 establishes standards for determination of the cost of inventories, prescribes measurement of inventories at the lower of cost and net realizable value and requires a reversal of previous write-downs when there is a subsequent increase in the net realizable value. The section expands disclosure requirements for the carrying amounts of inventories, write-downs and reversal of previous write-downs. The Corporation is assessing the impact that the new standard may have on its consolidated financial statements.

Note 5: Investment in Properties

(*thousands*)

a) Carrying Amount

			2007	2006
	Cost	Accumulated Amortization	Carrying Amount	Carrying Amount
Wholly-owned housing projects	$ 194,981	$ 72,203	$ 122,778	$ 129,248
Housing investment	155,251	77,804	77,447	81,222
Construction in progress	16,004	---	16,004	7,564
Other properties	1,595	176	1,419	770
Held for sale	859	711	148	1,056
	$ 368,690	**$ 150,894**	**$ 217,796**	**$ 219,860**

The carrying amount of Investment in properties is dependent upon the continued receipt of contributions from CMHC and from the General Revenue Fund.

Housing investment represents the Corporation's ownership interest in housing projects constructed or acquired pursuant to partnership agreements. The Corporation's cost is net of amounts provided by CMHC and municipalities in consideration for an ownership interest in the housing projects.

The Corporation and CMHC have executed a Declaration of Trust by which the Corporation is trustee for CMHC's ownership interest in partnership and 100% CMHC-owned housing projects. CMHC's ownership interest will be earned by the Corporation over the remainder of each project's CMHC subsidy commitment period, in amounts which correspond to CMHC's annual amortization of the assets. Accordingly, no increase in Investment in properties was recorded by the Corporation.

b) Writedown of Vacant Housing Units

The service potential of certain properties is impaired due to a decline in the local demand for rental accommodation or other circumstances, which result in vacancies assessed by management as other than temporary in nature. A writedown of vacant housing units totalling $110 (2006 - $780) is included in Amortization expense.

c) Disposal of Properties

During 2007 the Corporation disposed of certain properties, comprised mostly of single-family homes and semi-detached housing units. Proceeds, net of CMHC's share and the municipal share where applicable, were $6,297 (2006 - $4,278). A gain on disposal of $5,816 (2006 - $3,481) was recognized.

The annual operating revenues and expenses in respect of the properties disposed of during 2007, or held for sale as at December 31, 2007, are not material to the Corporation's consolidated operations.

Note 6: Land

(*thousands*)

			2007	2006
	Cost	Accumulated Provision for Loss	Carrying Amount	Carrying Amount
Developed and under development	$ 6,521	$ 2,035	$ 4,486	$ 4,160
Held for future development	18,517	18,160	357	677
	$25,038	**$20,195**	**$ 4,843**	**$ 4,837**

Note 7: System Development

(*thousands*)

System development is comprised of software licensing and applications development costs totalling $3,763 (2006 - $3,763), less accumulated amortization of $1,568 (2006 - $1,192). Amortization of $376 (2006 - $377) is included in Other operating expenses.

Note 8: Loans Receivable

(*thousands*)

Loans receivable are comprised of mortgages with an amortized cost of $1,996 (2006 - $2,183) and other loans with an amortized cost of $137 (2006 - $156), less an allowance for impairment of $185 (2006 - $203).

Note 9: Debt Retirement Funds

Under conditions attached to certain advances from the General Revenue Fund (note 11), the Corporation is required to pay annually into debt retirement funds administered by the Saskatchewan Ministry of Finance a minimum of one per cent of the advances outstanding. Debt retirement funds are invested primarily in provincial government debt instruments, including Province of Saskatchewan debt instruments with a weighted average yield of 5.76% (2006 - 5.84%).

Note 10: Cash and Cash Equivalents

(*thousands*)

Cash and cash equivalents is comprised of investments in Canadian money market instruments with a fair value of $163,700 (2006 - $45,642), less net bank indebtedness of $2,811 (2006 - $612). Cash equivalents earned interest at rates from 4.03% to 5.00% (2006 – 4.13% to 4.31%) per annum.

Note 11: Long-term Debt

(*thousands*)

		2007	2006
Advances repayable to General Revenue Fund:			
Year Repayable	**Weighted Average Interest Rate (%)**		
2008	5.50	$ 6,500	$ 6,500
2009	5.05	24,500	24,500
2019	6.27	31,106	31,106
2020	6.48	20,898	20,898
		$ 83,004	$ 83,004
Mortgages payable to CMHC, due at various dates from December 1, 2011 to September 1, 2012, repayable in monthly installments of $140 including interest at rates from 5.52% to 6.24%, secured by properties with a carrying amount of $8,355 (2006 - $9,417)		12,147	13,085
		$ 95,151	**$ 96,089**

Debt retirement fund instalments and principal repayments (net of debt retirement funds) due in each of the next five years are as follows:

2008	$ 1,320
2009	1,858
2010	1,634
2011	2,593
2012	7,450

Note 12: Land Profits Holding Account

Profits earned on residential land development projects are distributed in accordance with the terms of development agreements with the participating municipalities. These agreements specify that profits are to be transferred to a holding account for use in development of capital projects in the municipality as approved by the Corporation, including Social Housing or Affordable Housing projects. Interest is credited to the municipal share of the holding account balance at the average rate earned by the Corporation on investments in money market instruments.

Note 13: Deferred Federal Contributions

(*thousands*)

	2007	2006
Expenses of future periods	$ 125,592	$ 137,615
Capital assets	33,939	28,640
	$ 159,531	**$ 166,255**

Expenses of Future Periods

			2007	2006
	Social Housing Agreement	Affordable Housing Program Agreement	Total	Total
Balance, beginning of year	$ 125,581	$ 12,034	$ 137,615	$ 130,443
Contributions from CMHC	54,639	---	54,639	65,568
Interest credited	5,703	---	5,703	4,967
Contributions allocated to capital assets	(1,532)	(5,588)	(7,120)	(8,579)
Recognized as revenue	(60,920)	(4,325)	(65,245)	(54,784)
Balance, end of year	**$ 123,471**	**$ 2,121**	**$ 125,592**	**$ 137,615**

Pursuant to the Social Housing Agreement, which took effect on January 1, 1997, CMHC will pay fixed annual contributions to the Corporation over the remainder of the CMHC subsidy commitment period for individual housing projects. The Agreement provides that at least a specified amount of the annual federal contributions must be applied toward housing programs which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs within the scope of the Agreement is similarly specified. Interest is credited to Deferred federal contributions – expenses of future years in accordance with the Agreement. Unexpended federal contributions must be carried forward by the Corporation for use toward expenses of future periods. Such contributions must be fully used, in accordance with the Agreement, by the Funding Expiration Date of December 31, 2038.

The objective of the Affordable Housing Program Agreement, which took effect on January 1, 2001, is to increase the off-reserve supply of affordable housing in Saskatchewan. The Agreement provides for CMHC to make matching contributions to the Corporation of up to $22,930 over a period ending March 31, 2007, based on cumulative Provincial contributions and contributions by other stakeholders used to fund eligible grant payments, subsidy commitments and investments in housing projects. Federal contributions used by the Corporation for these purposes and for management services associated with delivery of programs are recognized as revenue in the year in which the related expenses are incurred.

On January 20, 2005, the Corporation and CMHC executed a Supplementary Agreement to the Affordable Housing Program Agreement. The Supplementary Agreement provides for CMHC to make additional matching contributions to the Corporation of up to $10,090 over a period ending March 31, 2008. These "Phase II" federal contributions must be used to provide housing principally for the benefit of low income households.

Contributions received from CMHC pursuant to the Affordable Housing Program Agreement must be fully used by March 31, 2010.

Note 13: Deferred Federal Contributions, continued

Capital Assets

	Social Housing Agreement	Affordable Housing Program Agreement	Other Agreements	2007 Total	2006 Total
Balance, beginning of year	$ 23,705	$ 3,826	$ 1,109	$ 28,640	$ 21,774
Contributions allocated	1,532	5,588	---	7,120	8,579
Recognized as revenue	(1,524)	(112)	(185)	(1,821)	(1,713)
Balance, end of year	**$ 23,713**	**$ 9,302**	**$ 924**	**$ 33,939**	**$ 28,640**

The Social Housing Agreement and the Affordable Housing Program Agreement provide that the Corporation may allocate federal contributions to investments in properties and related capital assets owned by the Corporation. Deferred federal contributions related to capital assets represent the unrecognized amount used for that purpose, and include certain federal contributions received pursuant to other agreements. These contributions are recognized as revenue on the same basis as the amortization of the related assets.

Note 14: Deferred Provincial Contributions

(thousands)

	2007	2006
Neighbourhood Revitalization Initiative	$ 61,293	$ ---
Housing Trusts	50,194	---
Home Energy Improvement Program	8,091	13,279
Other	15,207	7,451
	$134,785	**$ 20,730**

Neighbourhood Revitalization Initiative

	Expenses of Future Periods	Capital Assets	2007 Total	2006 Total
Contributions received	$ 60,000	$ ---	$ 60,000	$ ---
Contributions allocated	(2,705)	2,705	---	---
Interest credited	2,116	---	2,116	---
Recognized as revenue	(823)	---	(823)	---
Balance, end of year	**$ 58,588**	**$ 2,705**	**$ 61,293**	**$ ---**

The Corporation has received a one-time funding allocation of $60,000 from the General Revenue Fund. These monies are to be used for neighbourhood revitalization initiatives, for inner city neighbourhoods of major centres and for northern communities. The contributions are recognized as revenue on the same basis as the related grant or subsidy expense or amortization of the related property, as applicable.

Note 14: Deferred Provincial Contributions, continued

Housing Trusts

	Affordable Housing Trust	Off-Reserve Aboriginal Housing Trust	2007 Total	2006 Total
Contributions received	$ 24,175	$ 26,377	$ 50,552	$ ---
Recognized as revenue	(196)	(162)	(358)	---
Balance, end of year	**$ 23,979**	**$ 26,215**	**$ 50,194**	**$ ---**

The Corporation has received $50,552 from the General Revenue Fund, comprised of allocations to the Government of Saskatchewan from federal housing trusts. These monies are to be used for initiatives that are consistent with the intent of certain conditions established by the federal government, as set forth in the Operating Principles for each trust. Affordable Housing Trust monies are to be used for capital investments and are not to be used to support property operations or to provide ongoing subsidy assistance to housing sponsors. Off-Reserve Aboriginal Housing Trust monies are to be used for initiatives that directly support housing for Métis and First Nations persons living off-reserve. The contributions are recognized as revenue when related expenses are incurred.

Home Energy Improvement Program

	2007	2006
Balance, beginning of year	$ 13,279	$ ---
Contributions received	2,329	15,326
Interest credited	768	---
Recognized as revenue	(8,285)	(2,047)
Balance, end of year	**$ 8,091**	**$ 13,279**

The Corporation has received certain provincial contributions for the specific purpose of providing grants to low-income and moderate-income households under the Saskatchewan Home Energy Improvement Program. The designation of provincial contributions for this purpose was approved by Treasury Board. The contributions are recognized as revenue when related expenses are incurred.

Other

	Expenses of Future Periods	Capital Assets	2007 Total	2006 Total
Balance, beginning of year	$ ---	$ 7,451	$ 7,451	$ 8,897
Contributions received	1,000	7,000	8,000	---
Recognized as revenue	---	(244)	(244)	(1,446)
Balance, end of year	**$ 1,000**	**$ 14,207**	**$ 15,207**	**$ 7,451**

Note 14: Deferred Provincial Contributions, continued

The Corporation has received certain provincial contributions for the specific purpose of developing housing, including properties for which the Corporation retains ownership. The designation of $7,000 of contributions received in 2007 for this purpose was approved by Treasury Board. The contributions are recognized as revenue on the same basis as amortization of the related properties.

The Corporation has received a one-time contribution of $1,000 from the Ministry of Social Services, for the specific purpose of assisting a First Nations agency to undertake capital improvements to a group home facility. This contribution will be recognized as revenue when the related grant expense is incurred.

Note 15: Other Deferred Contributions Related to Capital Assets

(*thousands*)

	2007	2006
Balance, beginning of year	$ 3,528	$ 2,958
Contributions received	216	842
Recognized as revenue	(315)	(272)
Balance, end of year	**$ 3,429**	**$ 3,528**

This balance relates to certain properties transferred to the Corporation, as well as contributions provided by Saskatchewan government ministries and municipalities for the construction or acquisition of housing by the Corporation. These contributions are recognized as revenue on the same basis as the amortization of the related properties.

Note 16: Internally Restricted Net Assets

(*thousands*)

				2007	2006
	Replacement Reserve	Rejuvenation Commitments	Risk Reserve	Total	Total
Balance, beginning of year	$ 4,757	$ 615	$ 13,330	$ 18,702	$ 18,587
Discontinuation of Affordable Housing replacement reserve	(4,484)	---	---	(4,484)	---
Transfers from Unrestricted net assets	---	2,704	---	2,704	2,714
Expenses	---	(615)	---	(615)	(2,599)
Net transfers (to) from Unrestricted net assets	(4,484)	2,089		(2,395)	115
Reclassification of Staff Housing replacement reserve (note 24)	(273)	---	---	(273)	---
Balance, end of year	**$ ---**	**$ 2,704**	**$13,330**	**$16,034**	**$18,702**

Note 16: Internally Restricted Net Assets, continued

Replacement Reserve

Prior to 2007, the Corporation made an internal restriction of net assets each year to provide for replacement of appliances and renovations to Affordable Housing properties. As expenses were incurred they were charged to operations, with a corresponding reduction to the reserve balance. The Corporation's board of directors has approved discontinuation of the replacement reserve for Affordable Housing properties, effective January 1, 2007, and transfer of the reserve balance to unrestricted net assets.

Rejuvenation Commitments

The Corporation and housing authorities controlled by the Corporation enter into contracts for rejuvenation of housing projects. An internal restriction of net assets has been made to reflect outstanding commitments under rejuvenation contracts as of December 31, 2007. As expenses are incurred they are charged to operations; with a corresponding reduction to the appropriated amount.

Risk Reserve

The Social Housing Agreement provided for a one-time federal contribution of $11,700. This amount, plus other transfers from Unrestricted net assets, has been internally restricted for mitigating operating risks associated with the Corporation's financial responsibility for housing programs transferred from CMHC.

Note 17: Financial Instruments and Risk Management

(*thousands*)

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is exposed to credit risk through its investments in Canadian money market instruments (which are accounted for as cash equivalents) and through its accounts receivable and loans receivable.

Investments in money market instruments are purchased through the Treasury and Debt Management Branch of the Saskatchewan Ministry of Finance. Credit risk is minimized by transacting with institutions that have strong credit ratings.

Accounts receivable consist primarily of amounts due from CMHC, federal Goods and Services Tax rebates, accrued land sales, accrued interest income and amounts due from non-profit housing sponsors, which in aggregate represent 67% (2006 - 82%) of balances outstanding. Credit risk on these accounts is minimal.

Credit risk arises from the possibility that tenants might be unable to fulfill their lease commitments. Public housing authorities mitigate this risk by conducting rental reference checks prior to tenant placement, through well defined procedures for addressing rent arrears, and by limiting the exposure to credit loss for any one tenant.

Credit risk also arises from the possibility that borrowers might default on their contractual loan obligations. Credit exposure on loans receivable is managed through appropriate account administration.

Credit risk associated with mortgage guarantees provided by the Corporation and the obligation to indemnify CMHC against losses on certain loans is described at Note 22, Contingencies.

Note 17: Financial Instruments and Risk Management, continued

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk on its debt retirement fund investments and on the maturity of its long-term debt. The Corporation manages interest rate risk by obtaining long-term advances through the General Revenue Fund at fixed interest rates, and by renewing mortgage financing with CMHC at fixed interest rates for the maximum available term. As at December 31, 2007, the Corporation had no financial contracts in place to offset interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its short-term financial obligations. To manage liquidity risk, the Corporation maintains adequate cash balances and invests in money market instruments with a maturity of four months or less from the date of acquisition. The instruments are readily convertible to known amounts of cash. Also, the Corporation has established a line of credit facility with the General Revenue Fund, allowing the Corporation to access up to $45,000 on a revolving basis.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities represents an approximation of amounts that the Corporation would have received or paid, calculated at the reporting date, to settle these instruments prior to maturity. Fair values are based on market conditions at a specific point in time, and may not be reflective of future fair values. The fair values of certain instruments, including long-term debt and debt retirement fund investments, will fluctuate as market interest rates change.

Cash and cash equivalents and debt retirement funds are carried at fair value. The fair value of debt retirement fund investments is based on closing market interest rates at December 31.

The fair value of accounts receivable and accounts payable and accrued liabilities approximates the carrying amount of these instruments due to the short period to maturity. Similarly, the fair value of loans receivable approximates the carrying amount because in most instances the interest rate is renewed annually.

For long-term debt, the carrying amounts and estimated fair values are as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Advances repayable to General Revenue Fund	$ 83,004	$ 91,908	$ 83,004	$ 92,320
Mortgages payable to CMHC	12,147	13,429	13,085	14,405

The estimated fair value of long-term debt is based on the present value of future cash flows discounted at the December 31 market rate of interest for Province of Saskatchewan or Government of Canada debt instruments with a similar maturity date, as applicable.

The fair value of life interest agreements is not reported as it is not practically determinable, since there is no fixed repayment date for the individual agreements. Similarly, the fair value of mortgage guarantees and the obligation to indemnify CMHC against losses on certain loans (note 22) is not practically determinable, since there is no market for these instruments.

Note 18: Interest Income

(*thousands*)

	2007	2006
Interest income earned on debt retirement funds	$ 1,677	$ 2,339
Change in fair value of debt retirement funds	107	---
Interest income earned on other investments	6,381	1,562
Interest income earned on loans receivable	348	342
Less amounts deferred:		
Neighbourhood Revitalization Initiative	(2,116)	---
Home Energy Improvement Program	(768)	---
	$ 5,629	**$ 4,243**

Note 19: Operating Expenses

(*thousands*)

	2007	2006
Maintenance and rejuvenation	$ 41,165	$ 35,566
Utilities	18,703	18,485
Grants in lieu of property taxes	16,885	16,919
Other operating	31,431	27,548
	$108,184	**$ 98,518**

Note 20: Grants and Subsidies

(*thousands*)

	2007	2006
Affordable Housing Program Agreement	$ 15,855	$ 8,922
Housing Renovation Program Agreement	8,865	8,751
Subsidy assistance - Non-profit housing	16,068	17,187
Subsidy assistance - Co-operative housing	2,373	2,233
Neighbourhood Revitalization Initiative	823	---
Housing Trusts	358	---
Home Energy Improvement Program	8,285	2,047
Other grants and subsidies	3,160	3,192
	$ 55,787	**$ 42,332**

The Housing Renovation Program Agreement with CMHC establishes a structure for cost-shared programs that provide assistance to homeowners and landlords for repairs to and rehabilitation of properties occupied by low income households. CMHC will contribute up to 75% of funding for eligible program costs. During the year, the Corporation and CMHC executed an Extension and Amendment Agreement that extends the term of the Housing Renovation Program Agreement by two years, to provide funding for commitments approved by March 31, 2009 for which eligible program costs are incurred by March 31, 2011.

Note 20: Grants and Subsidies, continued

Subsidy assistance is provided to non-profit housing sponsors and co-operatives in accordance with operating agreements that set forth either a specified amount of assistance to be provided each year or the basis on which eligibility for assistance will be determined. These agreements expire at various dates to the year 2029 (note 23(d)).

Subsidy assistance - Non-profit housing includes assistance of $1,815 (2006 - $1,881) provided to Regional Health Authorities, in respect of certain nursing home facilities.

Note 21: Interest Expense

(*thousands*)

	2007	2006
Interest incurred	$ 11,622	$ 10,878
Less: Interest capitalized	(549)	(190)
	$ 11,073	**$ 10,688**

Interest incurred is comprised of $5,792 (2006 - $5,855) paid during the year, $5,703 (2006 - $4,967) credited to Deferred federal contributions and $132 (2006 - $60) credited to the Land profits holding account, less a reduction in accruals of $5 (2006 - $4).

Interest incurred includes $4,899 (2006 - $4,899) on long-term advances repayable to the General Revenue Fund. Accrued interest payable to the General Revenue Fund at December 31, 2007 totalled $1,273 (2006 - $1,273).

Note 22: Contingencies

(*thousands*)

a) Social Housing Agreement

Pursuant to the Social Housing Agreement, the Corporation assumed responsibility for administration of a portfolio of mortgage loans provided by CMHC to third party housing sponsors, including accounts added to the portfolio since the Agreement took effect on January 1, 1997. The Agreement states that the Corporation shall indemnify CMHC against all losses and expenses arising from defaults by borrowers. As at December 31, 2007, mortgages with an aggregate balance of $185,124 (2006 - $197,752) were outstanding. The mortgages are being amortized through monthly payments and mature at various dates to the year 2030.

The portfolio includes 135 (2006 - 157) mortgages, totalling $78,644 (2006 - $84,164), provided to non-profit and co-operative housing sponsors who receive ongoing subsidy assistance from the Corporation that is presently sufficient to enable mortgage payments to be made when due. The portfolio also includes 237 (2006 - 250) mortgages, totalling $106,480 (2006 - $113,588), provided to sponsors of nursing home or group home facilities who receive funding for operations from the Ministry of Health or the Ministry of Social Services, respectively.

Note 22: Contingencies, continued

Upon signing the Social Housing Agreement, the Corporation received a one-time federal contribution of $11,700 in consideration for assuming financial responsibility for housing programs transferred from CMHC, including the portfolio of indemnified mortgage loans. The Corporation has established a Risk Reserve (note 16) to fund losses incurred on these loans. As at December 31, 2007, none of the mortgages administered on behalf of CMHC were in default, and accordingly no liability is recorded in respect of the Corporation's obligation to indemnify CMHC.

b) Saskatchewan Mortgage Guarantee Program

During 1986 and 1987 the Corporation provided mortgage guarantees to private lenders financing certain new housing construction. As at December 31, 2007, a total of 10 (2006 - 12) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was $1,639 (2006 - $2,041). The mortgages are being amortized through monthly payments and mature at various dates to the year 2023.

The guarantees are in respect of mortgages advanced to individual homeowners, except for mortgages totalling $1,490 (2006 - $1,784) provided to the sponsors of certain seniors' housing projects.

Management believes that credit risk on these guarantees is minimal, due to the maturity of the mortgage portfolio. As at December 31, 2007, none of the mortgages were in default, and accordingly no liability is recorded in respect of the guarantees provided by the Corporation.

Note 23: Contractual Obligations

(*thousands*)

The Corporation had the following contractual obligations as at December 31, 2007:

(a) Construction costs of $5,917;

(b) Land development costs of $4,748;

(c) Rejuvenation expenses of $2,704; and

(d) Grants and subsidies:

The Corporation has issued commitments under various programs for grants or ongoing subsidy assistance to individual homeowners, developers, landlords, co-operatives and non-profit sponsors of housing. As at December 31, 2007, the Corporation's commitments for grants for which performance requirements have not been met totalled $59,128. The estimated cost of ongoing subsidy assistance for the next five years is as follows:

2008	$17,100
2009	16,800
2010	16,000
2011	15,500
2012	15,400

Uncertainty regarding future interest rates and other economic factors precludes reasonable estimation of the Corporation's obligations for ongoing assistance beyond a five-year period.

Note 24: Related Party Transactions

(*thousands*)

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, and agencies related to the Corporation by virtue of common control by the Government of Saskatchewan, collectively referred to as "related parties".

Transactions with related parties in the normal course of operations are settled at the prevailing prices charged by these organizations, under normal trade terms. These transactions are not significant to the Corporation's consolidated operations or financial position except as described below.

	2007	2006
Expenses:		
Services provided by Saskatchewan Power Corporation ("SaskPower")	$ 5,395	$ 5,130
Services provided by SaskEnergy Incorporated ("SaskEnergy")	8,432	8,155
Services provided by Ministry of Social Services	6,367	6,057
Investment in land, for the year ended December 31:		
Services provided by SaskPower	$ 81	$ 110
Services provided by SaskEnergy	133	90
Accounts payable and accrued liabilities, as at December 31:		
SaskPower	$ 387	$ 265
SaskEnergy	573	566
Ministry of Social Services	---	307

The Ministry of Social Services provides management services to the Corporation. Charges are recorded for administration of housing operations and other programs within the scope of the Social Housing Agreement, for delivery of programs within the scope of other agreements between the Corporation and CMHC, and for delivery of programs funded from provincial contributions. Amounts charged to the Corporation do not exceed related costs incurred.

Accounts receivable as at December 31, 2007 includes a deposit of $111 (2006 - $0) paid to SaskEnergy for natural gas installation services.

Accounts payable and accrued liabilities as at December 31, 2007 includes $312 received from Saskatchewan government ministries and agencies, restricted for use on renovations to certain Staff Housing units. The 2006 comparative replacement reserve balance of $273 is included in Internally Restricted Net Assets.

The Corporation pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of such purchases.

Other transactions with and amounts due to related parties are described separately in these consolidated financial statements and the notes thereto.

Note 25: Comparative Information

Certain 2006 comparative information has been reclassified to conform to the current year's financial statement presentation.